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After D. Ya. Shcherbina, director of Torgpredstvo, China, returned to Shanghai from Nanking on 2 May 1948, a conference was held on the premises of Torgpredstvo (1288 Bubbling Well Road, Shanghai) and was attended by the leading personnel of Torgpredstvo as well as Vice-Consul Sergeyev and Tikhomirov, director of the Shanghai branch of the Moscow Narodny Bank. At this conference resumption of normal trade between the USSR and China was discussed. It was decided that profits from business transactions will be used partly to purchase goods for the USSR and partly to cover expenses of other Soviet Government offices in China. Because drafts in US dollars are exchanged on the open market, the Soviet Government is losing much money. Torgpredstvo will make an investigation regarding the quota allotment for USSR goods into China. Most of the goods to be exported to China from the USSR will be handled on a barter basis.

The arrival of several USSR cargo boats, which will bring textiles, paper, salt and fish, is expected in the near future. During the first week in May 1948, the SS KOLKHONIK docked in Shanghai with a cargo of coal dust

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The total business accomplished by Torgpredstvo for the month of April 1948 included the sale of 7,000 tons of coal dust and the purchase of the following: 75 tons of goat skins, 200 tons of bristles, and 63 chests of tea. The tea was bought from the Central Trust of China against China's debt to the USSR. The above is considered good business for one month.

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On 23 April 1948, N. Obratsov, assistant director of Torgpredstvo, China, made a special trip to Nanking to confer with Chinese officials regarding negotiations for a barter agreement between the Chinese Government and the USSR in which the USSR is willing to purchase the following goods from the Chinese Government: tea, tungsten ore, camphor, tung oil. In exchange for these items, the USSR would supply the Chinese Government with the following goods: fertilizer, lumber, and paper, and industrial chemicals such as soda ash and caustic soda.

After a few days the Chinese Government replied to Obratsov's proposals that this agreement must be delayed for at least two months, when a change would

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occur in the Chinese Government's foreign trade policy which may make possible a trade agreement with the USSR. Some Chinese officials feel that the Chinese Government wanted to delay discussions on such a plan in order not to jeopardize the success of a United States aid program.

6. Because of the customs agreements between the Chinese Government, Hongkong, and Macao, the smuggling of tungsten from South China has been greatly reduced. Tungsten is badly needed by the USSR for its steel industry. With the South China sources cut off, the USSR trade representatives are now looking for ways and means to obtain tungsten from Tientsin and Shanghai. The following Soviet firms have been instructed to purchase tungsten for the USSR:

Daltotat Company, 83 Peiping Road
North China Investment Corporation, 51 Kwangtung Road
China Export Trading Company, 51 Kwangtung Road
Krassons and Company, 110 Szechuan Road

7. In Shanghai there are only about 18 (sic) tons of refined tungsten and over 50 tons of tungsten ore, 63½ percent. The Chinese merchants holding this ore are still waiting for the price to rise, since the demand is increasing. Other foreign governments are eager for China's tungsten supply, and the industrialization program being effected by T. V. SOONG in South China is using up more of that area's tungsten supply.

8. During 1947 the USSR has managed to purchase the following stocks of tungsten from Hongkong:

- (1) 5 tons of tungsten ore supplied by Marden Development Company, representatives of Sovtorgflot (Soviet Ministry of the Merchant Fleet), and shipped to the USSR on the SMOLNY, February 1947.
(2) 3,000 pounds of refined tungsten shipped to the USSR in February 1947 on the SMOLNY, as follows:

Marden Development Company	800 lbs.
Luso Enterprises, a Portuguese firm	500 lbs.
Pax Trading Company	500 lbs.
Spencer and Sons, Limited	1,000 lbs.
Other small firms	200 lbs.

- (3) 12 tons of tungsten ore shipped on the DVINA in September 1947, supplied by Marden Development Company and Spencer and Sons, Limited.

- (4) 5,000 pounds of refined tungsten supplied by Marden Development Company and shipped to the USSR on the DVINA.

- (5) Larger amounts were shipped from Macao, where the Union Steamship Agency has chartered a few Portuguese steamers - MARIA TERESA, LUZON, PRONTOPIA - and delivered the cargo directly to Sakhalin Island.

- (6) An estimated 55 tons of tungsten ore and about 10 tons of refined ore smuggled from Macao by the Portuguese firm Oliveira and Sons.

9. The open transfer of funds by the Moscow Narodny Bank in Shanghai to Hongkong during 1947 amounted to US \$120,000. This amount went to Marden Development Company as payment for wharf facilities and other services, and for the purchase of tungsten and other important materials.

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